



Lender Payment Process Redesign

Business Case



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1 Project Information

Name: Lender Payment Process Redesign

Project Sponsor: John Reeves (SFA Financial Partners Channel)

Project Lead: Frank Ramos/Angela Roca-Baker (Financial Partners)

2 Project Description

Describe the need for change (the business problem to be addressed).

The Student Financial Assistance (SFA) office is identifying ways to reduce the costs of delivering student financial aid and to consolidate SFA financial data into the Financial Management System (FMS). Several current processes within the Lender Reporting subsystem are not automated requiring manual intervention, which is both costly and labor intensive.

What is the purpose of the initiative?

The purpose of this initiative is to develop a web-based lender payment solution allowing SFA to process over \$2 billion in payments to lenders. This will involve developing new business activities that will integrate lender reporting into FMS. These business activities include: allowing the FFELP participants to electronically complete and submit their report, developing digital approval and ad hoc query functionality, complying with current legislative mandates (e.g. Sections 508 of the Rehabilitation Act of 1973), and integrating all activities with concurrent SFA enterprise-wide initiatives.

In addition, activities include implementing solutions to retire the FFEL system. To realize cost savings, activities will be based on solutions identified under Phase II of the FFEL System Retirement initiative.

What is the scope of the initiative, including what it is not?

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The scope of this initiative encompasses the system development lifecycle from gathering requirements thru implementing the solution in production. It does not include the maintenance support of the production system or development of content-specific reports to be stored on data mart.

Several major components of the development life cycle are further defined as follows:

1. Requirements and Design

Gather and define the requirements for the Lender payment process redesign. Requirements will be gathered from several sources (community, regulatory requirements, interfaces with other systems, and other current FFEL system activities (i.e. data mart and retirement). A requirements document will be produced from analyzing current business functions. Functional requirements document will be produced upon approval by the project team and external users and will be based on requirements document. The Software Development Project Plan will be updated to reflect the estimates, resource allocations, schedules and commitments for performing the work.



Specifically addressed will be the need to incorporate requirements from new regulations, policies, etc., the need to interface with internal and external users, the need to coordinate with other SFA projects and timing of implementation.

Expected outcomes will be: consolidated set of requirements from which a system can be designed, preliminary VDC capacity impacts, impacts to other SFA projects/systems, and a plan for completing the design through implementation activities.

2. Build and Test (unit and performance system testing based on the requirements).
Perform unit and acceptance testing prior to system testing. Perform system testing to verify that the system meets specified requirements and ensures the software complies with the Functional Specification document. Perform volume testing, stress testing and performance testing of the application and hardware environment to ensure the application can receive the anticipated volume of data.

Specifically activities will include digital signatures, rollout procedures to all lenders/servicers, training and documentation. Expected outcomes are OMB approval of new mechanism, integration with SFA/FMS and other related, content-specific repository, fully trained internal and external users and, ultimately, a streamlined lender reporting system.

3. SFA Acceptance Test
Develop the acceptance criteria and perform formal testing with SFA to determine whether the system satisfies the criteria specified in the functional requirements document.
4. Migrate to Production
Perform beta testing with selected destination points (to include both PC and non-PC lender/servicers). Identify beta participants, distribute documentation, provide customer service support, provide technical support, collect and analyze beta test results, and create the beta test summary. Review beta test internally and selected beta participants (12-24 sample).
5. Software Implementation
Ensure VDC approval and capability with all software.
7. Deployment to 4000 lenders.
Rollout to FFEL community. Distribute documentation, provide customer service, training and technical support.

What is the start date and end date of the initiative?

The planned start date is May 2001. The planned end date is April 2002.



What other business areas and external groups (Stakeholders) are affected by the implementation of this initiative and how are they affected?

The following groups are affected by this initiative:

1. SFA - Manage transition of large user base, affects all Title IV application systems, exposure to reliability and availability of Internet, and requires up-front investment.
2. SFA end-users (lenders, schools, guaranty agencies, and third party service providers) - Non-PC users install new software and update existing job streams; and all destination points must have an Internet connection to send/receive data. Servicers will have the option to submit via file transfer. The end-users also have requested the ability to query FFEL data. As a result these users may need to modify their existing systems to support the changes to reporting requirements (i.e. changes in the information required, new system requirements etc.).

In addition training will be provided to users. Development of a virtual training site in addition to centrally located training classes will be used.

3. Title IV Application Systems (NSLDS, PEPS and DMCS) and Census Bureau - Participate in transition planning activities, support betas, beta test and integration test with internal and external users to ensure file transfers continue on a weekly, monthly, quarterly and annual basis.
4. SFA CIO Virtual Data Center - Participate in transition planning activities, install & support hardware/operating system (based on Requirements), support system testing, installation testing, and beta tests. Will need to remove GEIS connectivity at conclusion of implementation.
5. SFA FMS Help Desk - Develop administrative and communication procedures to support financial institutions migrating to the new system. Establish roles and responsibilities for technical assistance (i.e. VPN problems and communication with lender community).
6. SFA Partner Services and Partner Systems Liaison - Establish roles and responsibilities for SFA Financial Partner Channel staff (i.e. answering general and form processing questions); review/audit of lender invoices and financial analysis of lender data.
7. ED and SFA Budget Offices - Establish roles and responsibilities for SFA Financial Partner staff for funds control and financial reporting.
8. Other users -- During the analysis phase additional groups may be identified. Their impact will be noted and addressed during this project.

What systems are impacted by the implementation of this initiative and how are they impacted?

The following systems are affected by this initiative:

1. Current Lender and School subsystem of the FFEL system which supports lender reporting activities.
- It is expected that some the current functionality will be incorporated into the redesigned lender process in the FMS system.



2. Title IV WAN - Review for impacts and possible system integration for 400+ FFEL participants currently submitting their invoices via EDI. The requirements will outline moving from EDI to a web/FTP environment.
3. The DMCS subsystem of the FFEL system -- Interfaces with the lender and school databases, and the NSLDS system.
4. National Student Loan Data System (NSLDS) exchanges data with the lender subsystem of FFEL weekly and quarterly. NSLDS will be impacted in that it will now require a feed from FMS.
5. Postsecondary Education Participant System (PEPS) which interfaces with the lender database quarterly. This system collects lender demographics and summary portfolio information quarterly. PEPS will be impacted in that it will now require a feed from the FMS system.
6. FP Data Mart - The data mart will be impacted in that it will no longer require a feed from the current FFEL subsystem.

What business processes are impacted by the implementation of this initiative and how are they impacted?

The following business process of the lender reporting system is affected by this initiative and would need to be encompassed within the recommended and continued support solutions.

1. Receipt, review and processing of lender invoices which currently require intensive manual effort. The work is performed at the Student Loan Processing Center (SLPC) by contractor staff. Personnel at the SLPC perform most of the work from opening mail to processing the ED Form 799.
2. Payment of lender invoices. Insure that invoices are processed and certified by the Department within the mandated 30 days.
3. Receipt of lender payments - The SLPC receives thousands of checks annually for the payments of various fees owed to government. The current process requires that payments must be reviewed and posted to the proper accounts within a specific amount of time.
4. Perform financial analysis of lender invoices - Perform analysis on data impacting the integrity of FMS, NSLDS, PEPS, and Data Mart.
5. Respond to external financial partner and public inquiries.
6. Training - Insure that community receives timely updates regarding system and legislative changes.

3 Technologies Used

List the proposed technologies that will be used to implement this project

Name/type	Proposed use	Has	Does	Does SFA have
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		technology been used at SFA before? Where?	Technology fit SFA's Architecture Standard? Explain.	the technical expertise to implement this technology? Why?
Financial Management Package	Database management system;	Yes. IFAP, CFO and PELL.	Yes. It was selected by the CIO as the choice for financial operations and reporting	Yes. SFA members will need training.
Accounts Payable Module	Accounts Payable	Yes, CFO	Yes	Yes. SFA members will need training.
Accounts Receivable Module	Accounts Receivable	Yes, CFO	Yes	Yes. SFA members will need training
FMS, Discover /Data Mart	Query/reporting tool and/or data mining	Yes, CFO, FP	Yes	Yes. SFA members will need training

Benefits

The initiative is primarily aimed at reducing costs associated with current lender reporting activities. The benefits of the initiative will provide SFA with minimal impact for external stakeholders, reduce the overall cost of delivering student aid, and reduce operating costs through consolidation of operations and systems.

Reduce Unit Cost

Quantified Benefit (\$)	How will benefit be measured/realized?	When will benefit be realized?
Eliminate manual effort required to input invoices.	Number of hours saved in processing invoices; Reduces time from receipt to payment.	April 2002
Reduced need for contractor assisted queries of financial data.	Reduced contractor costs associated with querying database.	April 2002
Proactive identification of potential financial risks to SFA by leveraging the analytical power of the FMS architecture and design	Time elapsed between the actual incident and the recognition/ identification of the problem; the total monetary value associated with the incident	April 2002



Quantified Benefit (\$)	How will benefit be measured/realized?	When will benefit be realized?
Changes to existing FFEL system that will not be required (Current extracts from FFEL into IDEA and other spreadsheets will not need to be changed to pull information from FMS)	Number of hours that it would have taken to change the existing processes; number of new extracts that would have been required	April 2002
Improved coordination/communication between HQ and the regions by using a common system (reduced/eliminated costs for operations and maintenance of extracts)	Reduced number of extracts from systems which currently support the different groups	April 2002
Reduced need for new extracts/reports required from existing systems.	Number of existing and proposed new report/query requests no longer needed from FFEL to support external data requests.	April 2002
Reduce amount of paper required to produce reports since they will be viewable online	Number of reports that no longer need to be printed or can be obtained via FMS report tool (i.e. Discoverer)	April 2002
Assumptions		
Overall, the new architecture provides for a more consistent financial management reporting by consolidating the processing into the FMS system.		

Increase Customer Satisfaction

Quantified/Qualitative Benefit	How will benefit be measured/realized?	When will benefit be realized?
Provide SFA PC constituents a non-intrusive solution.	Use "demo" system to gather feedback early in the process, and conduct survey after beta test. Reduced phone calls to FP staff.	After the first SFA PC constituent has migrated to the Internet.
Provide FFEL lenders with an on-line solution to view and query contents.	Use "demo" system to gather feedback early in the process, and conduct survey after beta test. Reduced phone calls to FP staff.	After the first FFEL lender has migrated to the Internet.
Provide FFEL lenders with a solution that reduces their operating expenses.	Lenders won't incur additional charges for SFA data transmissions.	After the first FFEL lender has migrated to the Internet solution.



Quantified/Qualitative Benefit	How will benefit be measured/realized?	When will benefit be realized?
Provide FFEL lenders with electronic signature capability.	Constituent won't be required to submit paper certification.	After the first FFEL lender has migrated to the Internet solution.
Assumptions		
Assume financial partners have an existing ISP connection, and will not incur additional operating costs		

Increase Employee Satisfaction

Quantified/Qualitative Benefit	How will benefit be measured/realized?	When will benefit be realized?
Provide SFA with increased efficiencies and reduction in duplicate systems.	Conduct survey with internal and external Partners, track incident reports, and compare with historical information.	After last lender converts to new system.
Provide SFA with simplified tracking and oversight by consolidating SFA data transmissions and hardware/software at the VDC.	Conduct survey within SFA channels. Track against historical information.	After last lender converts to new system.
Improved coordination/communication between DC and regions by managing access to appropriate lender information	Coordination of financial information across Partners (both internal and external).	After last lender converts to new system.
Provide SFA with cost reductions by implementing COTS solution.	Track ease of future system/application integration initiatives.	After last lender converts to new system.
Assumptions		



Estimated overall dollar amount of all benefits listed above.

Quantified Benefits						
	BY (2001)	BY+1 (2002)	BY+2 (2003)	BY+3 (2004)	BY+4 (2005)	Total
FFEL Operating Costs (if we do nothing)	\$9,864,978	\$9,826,222	\$10,011,960	\$10,202,342	\$10,397,483	\$50,372,984
LESS: Implementation & Operating costs (if we do something)	\$11,015,500	\$7,442,274	\$1,550,000	\$1,550,000	\$1,550,000	\$23,108,170
Net Savings	(\$1,150,918)	\$2,383,948	\$8,461,960	\$8,652,342	\$8,847,483	\$27,194,814
Cumulative Net Savings	(\$1,150,918)	\$1,233,030	\$9,694,990	\$18,347,332	\$27,194,814	\$27,194,814
Assumptions						

4 Costs

This section provides estimated costs, including those to implement the initiative (BY = Base Year) and costs to support it over its useful life (BY+1 through BY+4).

***NOTE:** The following cost estimates are based on current requirements and are subject to change pending completion of the 'Analysis and Design' phase of this initiative.*

COSTS						
	BY (2001)	BY+1 (2002)	BY+2 (2003)	BY+3 (2004)	BY+4 (2005)	Total
(1) Lender Payment Process Redesign (Development)	\$1,535,500	\$836,500	0	\$0	\$0	\$2,372,000
Lender Reporting System Operations						
(2) Lender Payment Process Redesign (Operations)	\$0	\$1,350,000	\$1,550,000	\$1,550,000	\$1,550,000	\$6,000,000
Assumptions						
<u>Assumptions:</u> See detailed cost and assumptions on next 2 pages.						



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Fiscal Year	BY	BY + 1	BY + 2	By + 3	BY + 4	TOTAL
FP FFEL LEGACY SYSTEM SAVINGS						
Costs to continue FFEL Sytem						
Raytheon	7,468,278	7,429,522	7,615,260	7,805,642	8,000,783	38,319,484
VDC	2,395,200	2,395,200	2,395,200	2,395,200	2,395,200	11,976,000
Telecommunications	1,500	1,500	1,500	1,500	1,500	7,500
TOTAL FP FFEL Legacy Costs	\$9,864,978	\$9,826,222	\$10,011,960	\$10,202,342	\$10,397,483	\$50,302,984
Revised Costs if we Retire FFEL (FP)						
Lender System						
VDC Production Costs	1,197,600	898,200	0	0	0	2,095,800
Raytheon Operational Costs						
Deliverables	427,721	320,791	0	0	0	748,512
Development	79,207	0	0	0	0	79,207
Management	670,180	502,620	0	0	0	1,172,780
Telecommunications	1,500	1,125	0	0	0	2,625
TOTAL LENDER SYSTEM	\$2,376,188	\$1,722,736	\$0	\$0	\$0	\$4,098,924
GA System						
VDC Production Costs	1,197,600	0	0	0	0	1,197,600
Raytheon Operational Costs						
Deliverables	21,525	0	0	0	0	21,525
Development	17,231	0	0	0	0	17,231
Management	433,380	0	0	0	0	433,380
TOTAL GA SYSTEM	\$1,669,736	\$0	\$0	\$0	\$0	\$1,669,736
FP Support/Maintenance System						
Raytheon Operational Costs						
Deliverables	1,135,066	851,300	0	0	0	1,986,366
Management	156,576	58,716	0	0	0	215,292
TOTAL FP SUPPORT/MAINTENANCE SYS	\$1,291,642	\$910,016	\$0	\$0	\$0	\$2,201,658
Other FP FFEL System						
Deliverables						
NPC	329,290	246,967	0	0	0	576,257
Support Services	1,745,089	1,308,817	0	0	0	3,053,906
Other Costs	390,204	292,653	0	0	0	682,857
Development						
Task / Work Orders	29,974	0	0	0	0	29,974
Other Costs	130,942	0	0	0	0	130,942
Ad-Hoc	63,678	47,759	0	0	0	111,437
Management	1,453,653	726,826	0	0	0	2,180,479
TOTAL OTHER FP FFEL SYSTEM	\$4,142,830	\$2,623,022	\$0	\$0	\$0	\$6,765,852
TOTAL REVISED FP LEGACY COSTS	\$9,480,396	\$5,255,774	\$0	\$0	\$0	\$14,736,170
Gross Savings to Retire FFEL (FP) (a)	\$384,582	\$4,570,448	\$10,011,960	\$10,202,342	\$10,397,483	\$35,566,814
LENDER PAYMENT PROCESS REDESIGN						
LENDER REDESIGN (Development)						
Analysis and Design (1)	475,000	0	0	0	0	475,000
Development/Testing/Deployment (2)	862,500	287,500	0	0	0	1,150,000
Training (3)	0	90,000	0	0	0	90,000
Post Support (4)	0	90,000	0	0	0	90,000
FP FFEL System Retirement (5)	0	100,000	0	0	0	100,000
IV&V	125,000	100,000	0	0	0	225,000
Security Assessment	25,000	25,000	0	0	0	50,000
FMS (Development/Implementation) (6)	48,000	144,000	0	0	0	192,000
TOTAL LENDER REDESIGN	\$1,535,500	\$836,500	\$0	\$0	\$0	\$2,372,000
SUPPORT (Operations)						
FMS (Production, Sys. Maint. and S/W) (7)	0	400,000	600,000	600,000	600,000	2,200,000
Mainframe (Historical Data and Screens) (8)	0	150,000	150,000	150,000	150,000	600,000
Manual Operations (Processing Center) (9)	0	300,000	300,000	300,000	300,000	1,200,000
Help Desk Support (10)	0	500,000	500,000	500,000	500,000	2,000,000
TOTAL SUPPORT	\$0	\$1,350,000	\$1,550,000	\$1,550,000	\$1,550,000	\$6,000,000
TOTAL Lender Payment Redesign (b)	\$1,535,500	\$2,186,500	\$1,550,000	\$1,550,000	\$1,550,000	\$8,372,000
NET SAVINGS (equals a-b)	(\$1,150,918)	\$2,383,948	\$8,461,960	\$8,652,342	\$8,847,483	\$27,194,814
* The Revised FP Legacy costs include savings based on reduced operating costs from the elimination of Development Task Orders for the GA and Lender Systems, and elimination of GA Deliverables due to the retirement of the GA system. Note: The development and operations costs are based on assumptions that are detailed in the business case.						



KEY ASSUMPTIONS

Development Costs

- 1 Assumes the FP channel has some requirements already and will begin with current payment process/form and redesign to address new requirements. This would require an additional 8-10 week effort with 6-8 contractor FTE's.
- 2 Assumes the FP channel will provide the FMS team with Lender business and functional, conversion, interface and reporting requirements.
- 3 Assumes 8-10 weeks of FMS/Oracle-based user training provided requiring 1 contractor FTE.
- 4 Assumes 8-10 weeks of post-implementation support requiring 1 contractor FTE.
- 5 Assumes 3-4 weeks of 2-3 contractor FTE's to de-convert/shutdown the FFEL (FP) System.
- 6 Assumes the shared use of an L-Class development server at the VDC.

Operational Costs

- 7 Assumes the use of an Financial Partners' dedicated V-Class application server with the associated DASD.
 - 8 Assumes the DASD cost of keeping historical data on the mainframe at the VDC based on the current DASD used.
 - 9 Assumes 2-3 FTE contractor resources to support the continual manual processing functions.
 - 10 Assumes 2-3 FTE contractor resources to support the continual Help Desk functions for the GA and Lenders using the FMS application.
- General Assumption is the Raytheon and CSC (VDC) contracts will be renegotiated to address the changes in operational functions of the GA System from the mainframe to FMS.

5 Total Cost of Ownership

What is the level of required enhancement after implementation?

The level of enhancement after implementation will be based on new requirements/enhancements requested by SFA and constituents. Refer to section 5 Costs for on-going costs.

What is the life span of this initiative?

The life span of this initiative is indefinite and dependent on SFA.

6 Alternatives

Describe what could be done in place of this initiative and describe the consequences of each alternative.

Alternative	Consequence (Pro/Con)
Remain as-is	SFA would continue to process data in an outdated, cost-ineffective system, incurring data transmission charges and on-line query charges.
Non-technology solution	A non-technological solution is not applicable for this initiative.
Enhance an existing system	SFA would need to order large-scale modifications to the Enterprise system and purchase client/server software for Internet transmission.
Implement on a smaller scale	SFA would not realize total benefit of moving all FFEL lenders to the same solution, and subsequently retiring the FFEL system.
Implement Treasury's "Pay.gov"	Pay.gov offers a package of electronic financial services to assist agencies. SFA may be able to utilize their electronic commerce services for processing invoices.



7 Risks

Risk	Description of Risk	Mitigation Strategy
Schedule	A delay in one task causes a cascading delay in dependent tasks, which would delay the end date. Modifications to dependent systems are not implemented on schedule.	Fulltime software project manager will be assigned to the initiative. Project schedule will be reviewed weekly with impacted groups and tracking & oversight provided to management. Schedule impacts will be addressed weekly and date re-negotiated.
Financial	ROI is impacted because total benefits can't be realized until all FFEL lenders have migrated to the Internet.	Employ an Internet migration campaign, which addresses migrating FFEL lenders to the Internet solution smartly & quickly. Weekly status will be provided to management on status (actual -VS- planned) of migration and possible issues.
Financial/ Schedule	May be necessary to extend the Title IV WAN contract if all Title IV destination points have not migrated to the Internet solution by March 31, 2002.	Implementation schedule will detail migration of destination points (includes high volume destination points migrating first) to the Internet solution. During migration phase planned -vs.- actual will be monitored and reported to SFA.
Technology	Development environment not available on time at the VDC and cause impacts to system integration activities.	Develop & review requirements/implementation plan with VDC early in the process to identify possible issues. Formal weekly (daily as needed) meetings will be held to address/resolve issues.
Technology	Production environment not sized, scaled properly to handle production volume.	Plan hardware, OS, CPU, space, sizing, bandwidth and other requirements based on historical and future needs. Documents will be reviewed and approved by SFA and VDC staff.
Scope	Requirements have been baselined but continue to change.	Project team will review requirements w/ impacted groups for approval. Upon receiving approval a baseline will be established. Approved items will be assessed and dates negotiated.
Management	There is a risk that task orders will not be authorized in a timely fashion to ensure both the existing and new systems are modified to handle a redesigned lender invoicing mechanism.	The FFEL contract will need to be extended to support this application system until the transition is complete.
Management	Communication time (e.g., time to answer requirements-	Communicate to team leads that issues need to be resolved w/in 24 hours. Formal weekly



Risk	Description of Risk	Mitigation Strategy
	clarification questions, status of schedule) is slower than expected.	(daily as needed) meeting will be held with project leads to address/resolve issues.
Security	SFA data transmissions subject to ISP failure and Internet security threats.	Develop and publicize list of recommended ISP accounts. Develop security program and take security measures to ensure privacy of data.
End-users	End-user input is not solicited, so product fails to meet user expectations and must be reworked.	Meet with FFEL lenders early in the process to learn their needs and concerns. Establish web-site and mailbox to facilitate communication. Select lenders to participate in the beta and publicize the success of the beta test.
End-users	End-user fails to migrate to the Internet solution as planned for a variety of reasons (e.g., no ISP, staff, and operating system requirement).	Develop an aggressive migration campaign to quickly and smartly move end-users to the Internet. Provide single-point of contact for end-user.

8 Acquisition Strategy

SFA developed criteria was used to evaluate and select software for this initiative. The research performed validated that Oracle Federal Financial software components provide the functionality that SFA and our financial partners require.

9 Schedule/Milestones

#	Milestone	Start Date	End Date
1	Cost estimates collected from impacted groups	01/01/2001	03/26/2001
2.	Obtain approval for enhanced web-site.	01/01/2001	03/22/2001
2	Submit business case to DSG and IRB for approval.	03/27/2001	03/28/2001
3	SFA approves the business proposal.	03/28/2001	03/28/2001
4	Develop functional & technical design documents.	05/01/2001	09/01/2001
5	Develop web-based form.	09/01/2001	12/31/2001
6	Develop interfaces with external systems.	09/01/2001	03/31/2002
7	Design FMS lender reports	09/01/2001	11/30/2001
8	Develop FP user training plan	09/01/2001	03/31/2002
9	Implement production environment at the VDC	06/01/2001	06/25/2001
10	Perform system integration.	05/01/2001	06/18/2001



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#	Milestone	Start Date	End Date
11	Conversion of 799 data into FMS extension.	02/01/2001	02/28/2001
12	Perform acceptance system testing.	1/01/2002	03/31/2002
13	Perform beta testing.	1/15/2002	03/31/2002
14	Production rollout.	04/01/2002	
15	Retire FFEL lender system (all for quarter-end processing)	04/01/2002	07/31/2002